



DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
ARLINGTON VA 22203-1837



REPLY TO
ATTENTION OF
Regulatory Law Office
U 4128

August 30, 2004

VIA ELECTRONIC SERVICE & OVERNIGHT MAIL

Paradise MergerSub, Inc.
c/o Alan M. Oshima, Esq.
Michael H. Lau, Esq.
Kent D. Morihara, Esq.
Oshima Chun Fong & Chung LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813

GTE Corporation, Verizon Hawaii Inc.,
Bell Atlantic Communications, Inc., and
Verizon Select Services Inc.
c/o Leslie Alan Ueoka, Esq.
Blane T. Yokota, Esq.
Verizon Corporate Services Group Inc.
P.O. Box 2200
Honolulu, HI 96841

FILED
Aug 31 1 35 PM '04
PUBLIC UTILITIES
COMMISSION

Subject: **DoD/FEA's Information Requests to Applicants**

In Re: **Docket No. 04-0140** – In the Matter of the Application of Paradise Mergersub, Inc.,
GTE Corporation, Verizon Hawaii Inc., Bell Atlantic Communications, Inc., and
Verizon Select Services Inc. for Approval of a Merger Transaction and Related Matters.

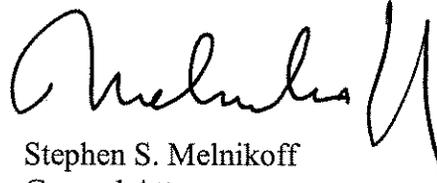
Gentlemen:

Enclosed please find DoD/FEA's Information Requests to Applicants on behalf of the
United States Department of Defense and All Other Federal Executive Agencies (DoD/FEA). A
Certificate of Service is appended to this document.

Copies of this document are being sent in accord with the Certificate of Service. Inquiries to this office regarding this proceeding should be directed to the undersigned at (703) 696-1643.

Thank you for your cooperation and assistance in this matter.

Sincerely,



Stephen S. Melnikoff
General Attorney
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart Street, Suite 700
Arlington, Virginia 22203-1837
Telephone: (703) 696 - 1643
stephen.melnikoff@hqda.army.mil

Enclosure

CF: See Certificate of Service (electronic service, overnight and first class mail)

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII**

DOCKET NO. 04-0140 -- In the Matter of the Application of PARADISE MERGERSUB, INC., GTE CORPORATION, VERIZON HAWAII INC., BELL ATLANTIC COMMUNICATIONS, INC., AND VERIZON SELECT SERVICES INC. for approval of a merger transaction and related matters.

DoD/FEA's Information Requests to Applicants (Nos. 1 - 20)

GENERAL INSTRUCTIONS AND DEFINITIONS

1. Unless otherwise indicated, each of the Information Requests is directed to all of the entities comprising the Applicants in the above referenced proceeding (PARADISE MERGERSUB, INC., GTE CORPORATION, VERIZON HAWAII INC., BELL ATLANTIC COMMUNICATIONS, INC., AND VERIZON SELECT SERVICES INC.). Responses from each of those entities should be made individually, as appropriate.
2. Respond fully to each information request on a separate page(s), reiterating first the question being addressed. For each response indicate the date the response was prepared and provide the name, position, and telephone number of the individual who prepared the response and. If a request has separate parts, a complete response is requested for each.
3. The attached document and information requests call for all information which relates to the subject matter of the requests, and which is known or available to the Applicants.
4. All responses to these requests should be amended when Applicants, whether Officers, employees, agents, representatives, attorneys or its consultants in this proceeding, obtain (or become aware of) information upon the basis of which (a) Applicants determine the original response was incorrect or not complete when made, or (b) know the original response was correct when made but is no longer accurate or complete. These requests are continuing in nature so as to require supplemental responses in light of such pertinent facts, documents, or revised, updated or additional information.
5. If the information is not available in the precise form requested, please provide the available information that best meets the request, and note the variance in the response.
6. With respect to information requests which reference, or seek the production or identification of documents, the term "document" should be construed in the broadest possible sense and means any tangible thing, recording and reproduction, whether visual, auditory, electronic or

digital, whether in final or draft form, in Applicants', or of any affiliates', (whether Directors, Officers, Partners, Participants, employees, servants, agents, representatives, attorneys or its consultants in this proceeding, whether former or current) possession, control, or custody, including, without limiting the generality of its meaning, any correspondence, email, pleadings, reports, depositions, personal memoranda, memoranda to files, memoranda (whether intra- or inter- office), drawings, prints, graphs, charts, photographs, phonographs, notes, studies, valuations, analyses, reports (whether expert or otherwise), reviews, working papers, books, notes, telegrams, pamphlets, video or audio tapes, voice or digital recordings, computer tapes, memory, printouts, cards or information stored in a computer, microfilms, microfiches, and any papers or items on which words have been written, printed, typed, or otherwise affixed, and shall mean a copy when the original is not in the possession, control, or custody of Applicants, and shall mean every copy of every document when such a copy is not an identical copy of an original.

7. If Applicants do not understand, are unable to answer, believe either the request too burdensome or the response too voluminous to produce, or object to any request transmitted herein, please have Applicants' counsel contact the undersigned DoD/FEA trial counsel at the earliest convenience so that an attempt to achieve a reasonable accommodation may be made.

8. If any document covered by these requests is withheld, the response should identify each such document and the reasons constituting the basis for withholding the document.

9. In the event there is an objection to any information request, each objection should be timely communicated in writing, specifying fully the nature and all underlying rationale of each such objection.

REQUESTS

DoD/FEA-IR-1 Ref: Application, Exhibit 6

Please provide a copy of Exhibit 6 in electronic format with all formulae intact.

DoD/FEA-IR-2 Ref: Application, Page 8, Verizon LD

Please provide a copy of the annual reports for Verizon LD filed with the commission for each year, 1999 to 2003.

DoD/FEA-IR-3

Ref: Application, Page 8, Verizon Select Services

Please provide a copy of the annual reports for Verizon Select Services filed with the Commission for each year, 1997 to 2003.

DoD/FEA-IR-4

Ref: Application, Exhibit 6, Page 3, Row 38, Capital Expenditures

- a. Please provide a breakdown of capital expenditures for 2004 and each subsequent year by account or category used in their estimation.
- b. Please provide actual capital expenditures for the years 2000 – 2003 by the categories identified in response to Part a.
- c. Please provide description of all assumptions underlying forecasts, including:
 1. Assumed rate of DSL deployment.
 2. Assumed rate of fiber deployment in the feeder and distribution networks.
 3. Assumed rate of conversion from circuit to packet switching.
- d. Please provide all workpapers and documents underlying forecasts.
- e. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-5

Ref: Application, Exhibit 6, Page 4, Row 12, Total Depreciation and Amortization

- a. Please provide a breakdown of Total Depreciation and Amortization for 2004 and each subsequent year by account or category used in their estimation.
- b. Please provide actual Total Depreciation and Amortization for the years 2000 – 2003 by the categories identified in response to Part a.
- c. Please provide a description of all assumptions underlying forecasts.

- d. Please provide all workpapers and documents underlying forecasts.
- e. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-6

Ref: Application, Exhibit 6, Page 5, Row 14, Telephone Plant in Service

- a. Please provide a breakdown of Telephone Plant in Service for 2004 and each subsequent year by account or category used in their estimation.
- b. Please provide actual Telephone Plant in Service for the years 2000 – 2003 by the categories identified in response to Part a.
- c. Please provide all workpapers and documents underlying forecasts.
- d. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-7

Ref: Application, Exhibit 6, Page 3, Row 29, Total Revenues

- a. Please provide a breakdown of revenues for 2004 and each subsequent year by:
 - 1. “Regulated” revenues as shown on Row 2, Page 4 of Exhibit 6.
 - 2. “Unregulated” Telco Hawaii revenues by service.
 - 3. Verizon LD
 - 4. Verizon Select Services
 - 5. Directory
 - 6. Internet
 - 7. Other (by service if material)
- b. Please provide actual revenues for the years 2000 – 2003 by the categories identified in response to Part a.

- c. Please provide all workpapers and documents underlying forecasts.
- d. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-8

Ref: Application, Exhibit 6, Page 4, Row 2, Regulated Revenues

- a. Please provide a breakdown of revenues for 2004 and each subsequent year by category used in their estimation.
- b. Please provide actual revenues for the years 2000 – 2003 by the categories identified in the response to Part a.
- c. Please provide all workpapers and documents underlying forecasts.
- d. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-9

Ref: Application, Exhibit 6, Page 3, Operating Expenses

- a. Please provide a breakdown of Operating Expenses (i.e. the difference between Rows 29 and 32) for 2004 and each subsequent year by the same categories used in response to DOD/FEA-IR-7.
- b. Please provide actual Operating Expenses for the years 2000 – 2003 by the categories identified in response to Part a.
- c. Please provide all workpapers and documents underlying forecasts of either Row 29 or Row 32 (whichever was forecast).
- d. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-10

Ref: Application, Exhibit 6, Page 4, Row 2 Regulated Operating Expenses

- a. Please provide a breakdown of Operating Expenses for 2004 and each subsequent year by USOA account or category used in their estimation.
- b. Please provide actual Operating Expenses for the years 2000 – 2003 by the accounts identified in response to Part a.

- c. Please provide all workpapers and documents underlying forecasts.
- d. Please provide all documents discussing or relating to forecasts.

DoD/FEA-IR-11

Ref: Application, Page 16, Ability

- a. In the event of a natural or other disaster, do Applicants believe that manpower and equipment (trucks, etc.) could be accessed to aid in the provision of emergency services and in the restoration of services in a timely manner?
- b. If affirmative, please provide all information in Applicants' possession as to from whom such resources would be obtained; the timeframes involved and the plans and arrangements in place to access such resources.
- c. Please provide all information in Applicants' possession regarding the use of such resources by independent ILECs in the past.

DoD/FEA-IR-12

Ref: Application, Exhibit 1 at 2.7(b) "Base Purchase Price"

Please provide all information in Applicants' possession as to the cost per access line of this transaction in comparison to other recent comparable transactions.

DoD/FEA-IR-13

Ref: Application, Exhibit 6, Page 3, Row 33, EBITDA Margin

Please provide all information in Applicants' possession as to EBITDA margins for independent ILECs comparable to TelCo Hawaii.

DoD/FEA-IR-14

Ref: Application, Exhibit 6, Description of Schedules, Page 2

- a. Please explain and document separately the extent to which the assumed rate of loss for residential and business access lines is associated with (1) cable telephony competition, (2) wireless substitution, (3) broadband second-line substitution, and (4) competitive local exchange carriers other than cable providers.
- b. Please provide all documents discussing or relating to each of the sub-parts of Part a.

DoD/FEA-IR-15 **Ref: Response to CA-IR-65**

- a. Please provide all documents discussing or relating to Verizon's provision of non-regulated services to federal government customers post-closing.
- b. Please state actual revenues for Verizon's provision of non-regulated services to federal government customers in Hawaii in 2003, and project revenues for those services for 2004-2006.
- c. Verizon states that it reserves the right to engage in non-prohibited activities "where it holds all required federal and state regulatory approvals." What approvals so described will Verizon hold post-closing?

DoD/FEA-IR-16 **Ref: Application, Section D (2) and (3)**

Please provide all documents discussing or relating to Applicants' post-closing provision of regulated or non-regulated services to federal government customers.

DoD/FEA-IR-17 **Ref: Application, Page 11**

- a. The Application states that AssetCo plans to replicate the services currently provided by Verizon LD and Verizon Select Services. Will TelCo Hawaii replicate the services (regulated and non-regulated) currently provided by Verizon Hawaii, Inc? If not, please describe fully all services that will not be replicated, the reasons for the modification or elimination, and the revenue impact.
- b. Please provide all documents discussing or relating to Pat a.

DoD/FEA-IR-18 **Ref: Application, Footnote 27**

Please provide all documents that describe, discuss or relate to a possible increase in rates for any "discrete local services".

DoD/FEA-IR-19 **Ref: Response to CA-IR-72**

Please provide all documents prepared by or for Applicants that discuss or calculate (in any format) projected Hawaii intrastate rates of return.

DoD/FEA-IR-20

Ref: Application, Section B, Applicants

- a. Please describe in detail all "non-compete" (or any other restrictions on the retail or wholesale provision of services or equipment) arrangements between or among the Applicants.
- b. Please provide all documents that describe, discuss or relate to Part a.

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII**

In the Matter of the Application)	
)	
of)	
)	
PARADISE MERGERSUB, INC., GTE)	DOCKET NO. 04-0140
CORPORATION, VERIZON HAWAII INC.,)	
BELL ATLANTIC COMMUNICATIONS, INC.,)	
AND VERIZON SELECT SERVICES INC.)	
)	
For approval of a merger transaction and)	
<u>related matters</u>)	

CERTIFICATE OF SERVICE

I certify that I have caused a copy of the foregoing document, together with this Certificate of Service, in Docket No. 04-0140, to be sent this day by postage prepaid, properly addressed, first class U.S. Mail (or private courier) to the counsel and parties named below:

Jon S. Itomura, Esq.
Department of Commerce and Consumer
Affairs
Division of Consumer Advocacy
335 Merchant Street, Room 326
Honolulu, HI 96813
(two copies)

Joel K. Matsunaga
GTE Corporation, Verizon Hawaii Inc.,
Bell Atlantic Communications, Inc., and
Verizon Select Services Inc.
P.O. Box 2200
Honolulu, HI 96841

Leslie Alan Ueoka, Esq.
Blane T. Yokota, Esq.
Verizon Corporate Services Group Inc.
GTE Corporation, Verizon Hawaii Inc.,
Bell Atlantic Communications, Inc., and
Verizon Select Services Inc.
P.O. Box 2200
Honolulu, HI 96841

William Kennard
c/o The Carlyle Group
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2505

Alan M. Oshima, Esq.
Michael H. Lau, Esq.
Kent D. Morihara, Esq.
Oshima, Chun, Fong & Chung LLP
400 Davies Pacific Center
841 Bishop Street
Honolulu, HI 96813

In addition, I certify that I have caused a copy of the foregoing document, together with this Certificate of Service, in Docket No. 04-0140, to be sent this day by postage prepaid, properly addressed, UPS Overnight Mail and electronic message (Email) to the counsel and parties named as indicated below:

Public Utilities Commission (Original
of the State of Hawaii plus
465 South King Street 12 copies)
First Floor
Honolulu, HI 96813
Email: hawaii_puc@exec.state.hi.us

Division of Consumer Advocacy
335 Merchant Street (6 copies)
Room 326
Honolulu, HI 96813
Email:
Cheryl.S.Kikuta@dcca.hawaii.gov

Paradise MergerSub, Inc. (1 copy)
c/o Alan M. Oshima, Esq.
Michael H. Lau, Esq.
Kent D. Morihara, Esq.
Oshima Chun Fong & Chung LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813
Email: amo@ocfc.com
mhl@ocfc.com
kdm@ocfc.com

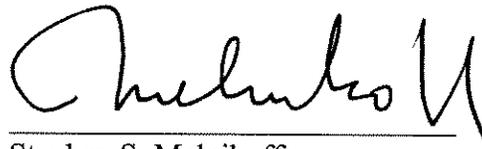
GTE Corporation, Verizon Hawaii Inc.,
Bell Atlantic Communications, Inc., and
Verizon Select Services Inc. (1 copy)
c/o Leslie Alan Ueoka, Esq.
Blane T. Yokota, Esq.
Verizon Corporate Services Group Inc.
1177 Bishop Street
Honolulu, HI 96813
Email: les.ueoka@verizon.com
joel.matsunaga@verizon.com

Pacific LightNet, Inc. (1 copy)
c/o Ms. Lisa Suan
737 Bishop Street
Suite 1900
Honolulu, HI 96813
Email: lsuan@plni.net
laura@mahooklaw.com
wtam@ahfi.com

Time Warner Telecom of Hawaii L.P
c/o J. Douglas Ing, Esq.
Pamela J. Larson, Esq.
Watanabe Ing Kawashima & Komeiji
LLP (1 copy)
First Hawaiian Center
999 Bishop Street, 23rd Floor
Honolulu, HI 96813
E-Mail: plarson@wik.com
rochelle.jones@twtelecom.com

Individual Retirees/IBEW (1 copy)
c/o Herbert R. Takahashi
Stanford H. Masui
Danny J. Vasconcellos
Rebecca L. Covert
Takahashi, Masui, Vasconcellos &
Covert
345 Queen Street, Room 506
Honolulu, HI 96813
E-Mail: rcover@hawaii.rr.com

Dated this 30th day of August 2004,
at Arlington County, Virginia.



Stephen S. Melnikoff
General Attorney
Regulatory Law Office
U.S. Army Legal Services Agency
Department of the Army
901 N. Stuart Street, Suite 700
Arlington, VA 22203-1837
(703) 696 - 1643
stephen.melnikoff@hqda.army.

(8/30/04)